UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA	§	
	§	
v.	§	Cr. No. H-04-25 (S-2)
	§	
RICHARD A. CAUSEY,	§	
JEFFREY K. SKILLING, and	§	
KENNETH L. LAY,	§	
	§	
Defendants.	§	

GOVERNMENT'S STATEMENT IN COMPLIANCE
WITH COURT'S ORDER DATED NOVEMBER 2, 2004

In the government's Memorandum of Law in Response to All Defendants' Motions for a Bill of Particulars and Defendant Kenneth L. Lay's Motion to Strike Surplusage, the government stated that it would voluntarily provide certain categories of information with respect to the Second Superseding Indictment (the "Indictment"). In light of this agreement, the Court issued an Order on November 2, 2004, directing the government to provide the agreed-upon information on or before November 19, 2004. Attached to this filing is the requisite information.

Dated: November 18, 2004
Washington, D.C.

Respectfully submitted,

ANDREW WEISSMANN
Director, ENRON TASK FORCE

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Tab 1

ITEM 1: FALSE STATEMENTS

Item 1 of the Order provides that the government shall provide

> a list of statements by the defendants during the course of the charged conspiracy, "disseminated to the investing public in conferences, telephone calls, press releases, interviews, statements to the media and rating agencies and SEC filings," which the government contends were false or misleading (see Indictment ¶61)

Many of the false and misleading statements are set forth in the Indictment. (See Indictment ¶¶ 51 & 63-85). The other statements are set forth below.

I. 1999 10-K

1. Based on the specific fraudulent transactions and conduct alleged in the Indictment and set forth in this document (see, e.g., Items 3-6, and 8), the Financial Statements (including the Income Statement, Balance Sheet and Cash Flow Statement) on pages 66-70 of the 10-K are false and misleading and do not present fairly, in all material respects, the financial position of Enron Corp. and its subsidiaries as of December 31, 1999.[1]

2. "Enron's management believes it will be able to maintain or improve its credit rating." Page 52.[2]

3. "The accounting and financial reporting policies of Enron Corp. and its subsidiaries conform to generally accepted accounting principles and prevailing industry practices. The consolidated financial statements include the accounts of all subsidiaries controlled by Enron Corp. after the elimination of significant intercompany accounts and transactions, unless control is temporary." Page 71.

4. "Through the Enron Wholesale segment, Enron provides capital primarily to energy and communications-related businesses seeking debt or equity financing. The merchant investments made by Enron and carried at fair value include public and private equity, debt, production payments, government securities with maturities of more than 90 days and interests in limited partnerships. The valuation methodologies utilize market values of publicly-traded securities, independent appraisals and cash flow analyses." Page 80.

5. "In June 1999, Enron entered into a series of transactions involving a third party and LJM

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[1] To the extent a particular financial statement is false and misleading, subsequent financial statements that do not correct or account for the false and misleading statements in prior filings are also false and misleading.

[2] For ease of reference, the government has included the page number of the particular filing or transcript where the false and misleading statement can be located.

Cayman, L.P. (LJM). LJM is a private investment company which engages in acquiring or investing in primarily energy-related investments. A senior officer of Enron is the managing member of LJM's general partner.

"The effect of the transactions was (i) Enron and the third-party amended certain forward contracts to purchase shares of Enron common stock, resulting in Enron having forward contracts to purchase Enron common shares at the market price on that day, (ii) LJM received 6.8 million shares of Enron common stock subject to certain restrictions and (iii) Enron received a note receivable and certain financial instruments hedging an investment held by Enron. Enron recorded the assets received and equity issued at estimated fair value. In connection with the transactions, LJM agreed that the Enron officer would have no pecuniary interest in such Enron common shares and would be restricted from voting on matters related to such shares. LJM repaid the note receivable in December 1999.

"LJM2 Co-Investment, L.P. (LJM2) was formed in December 1999 as a private investment company which engages in acquiring or investing in primarily energy-related or communications-related businesses. In the fourth quarter of 1999, LJM2, which has the same general partner as LJM, acquired, directly or indirectly, approximately $360 million of merchant assets and investments from Enron, on which Enron recognized pre-tax gains of approximately $16 million. In December 1999, LJM2 entered into an agreement to acquire Enron's interests in an unconsolidated equity affiliate for approximately $34 million. Additionally, LJM acquired other assets from Enron for $11 million.

. . .

"Management believes that the terms of the transactions with related parties are representative of terms that would be negotiated with unrelated third parties." Page 102.

II. 10-Q - FIRST QUARTER 2000

1. Based on the specific fraudulent transactions and conduct alleged in the Indictment and set forth in this document (see, e.g., Items 3-6, and 8), the Financial Statements (including the Income Statement, Balance Sheet and Cash Flow Statement) on pages 3-6 of the 10-Q are false and misleading and do not present fairly, in all material respects, the financial position of Enron Corp. and its subsidiaries as of March 31, 2000.

2. "[T]hese [consolidated financial] statements reflect all adjustments (consisting only of normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Enron believes that the disclosures are adequate to make the information presented not misleading." Page 7.

3. "During the first quarter of 2000, Enron and LJM, through a wholly-owned subsidiary, entered into an agreement. A senior officer of Enron is the managing member of LJM's general partner. The agreement resulted in (i) the termination of certain financial instruments hedging an investment held by Enron, (ii) the payment, by Enron, of approximately $26.8 million to LJM, (iii) the transfer to Enron of approximately 3.1 million shares of Enron common stock held by LJM and (iv) the termination of a put option held by LJM. The put option, which was originally entered into in the first quarter of 2000, gave LJM the right to sell shares of Enron common stock to Enron at a strike price of $71.31 per share. The agreement closed in April 2000. Additionally, in the first quarter of 2000, Enron advanced to LJM $10 million, at a market rate of interest, which was repaid in April 2000.

"Management believes that the terms of the transactions with related parties were reasonable and are representative of terms that would be negotiated with unrelated third parties." Page 13-14.

4. "Assets and Investments. Enron's Wholesale businesses make investments in various energy-related assets as a part of its network strategy. Enron Wholesale either purchases the asset from a third party or develops and constructs the asset. In most cases, Enron Wholesale operates and manages such assets. Earnings from these investments principally result from operations of the assets or sales of ownership interests.

"Additionally, Enron Wholesale invests in debt and equity securities of energy and certain communications-related businesses, which may also utilize Enron Wholesale's products and services. With these merchant investments, Enron's influence is much more limited relative to assets Enron develops or constructs. Earnings from these activities result from changes in the market value of the security.

"Earnings from assets and investments increased to $220 million in the first quarter of 2000 as compared to $136 million in the same period of 1999, primarily as a result of increased market values of Enron Wholesale's merchant investments, partially offset by lower earnings from sales of interests in energy assets and construction profits. A portion of the increase in the value of merchant investments was reflected in the increase in earnings of equity affiliates." Page 19.

5. "The EIN, managed by Enron's BOS software, provides a bandwidth-on-demand platform allowing EBS to deliver high bandwidth media rich content such as video streaming, high capacity data transport and video conferencing." Page 20.

III. 10-Q SECOND QUARTER 2000

1. Based on the specific fraudulent transactions and conduct alleged in the Indictment and set forth in this document (see, e.g., Items 3-6, and 8), the Financial Statements (including the Income Statement, Balance Sheet and Cash Flow Statement) on pages 3-6 of the 10-Q are false and misleading and do not present fairly, in all material respects, the financial position of Enron Corp. and its subsidiaries as of June 30, 2000.

2. "[T]hese [consolidated financial] statements reflect all adjustments (consisting only of normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Enron believes that the disclosures are adequate to make the information presented not misleading." Page 7.

3. "In the first half of 2000, Enron entered into transactions with limited partnerships (the Related Party), whose general partner's managing member is a senior officer of Enron. The limited partners of the Related Party are unrelated to Enron.

   "During the first quarter of 2000, Enron and the Related Party entered into an agreement to terminate certain financial instruments that had been entered into during 1999. In connection with this agreement, Enron received approximately 3.1 million shares of Enron common stock held by the Related Party. A put option, which was originally entered into in the first quarter of 2000 and gave the Related Party the right to sell shares of Enron common stock to Enron at a strike price of $71.31 per share, was terminated under this agreement. In return, Enron paid approximately $26.8 million to the Related Party. The agreement closed in April 2000. Additionally, in the first quarter of 2000, Enron advanced to the Related Party $10 million, at a market rate of interest, which was repaid in April 2000.

   "In the second quarter of 2000, Enron entered into transactions with the Related Party to hedge certain merchant investments. As part of the transactions, Enron contributed to newly-formed entities (the Entities) assets valued at approximately $800 million, including 3.7 million restricted shares of outstanding Enron common stock, $100 million in Enron notes payable and the right to receive up to 11.7 million shares of outstanding Enron common stock in March 2003 (subject to certain conditions). In return, Enron received non-voting interests in the Entities and a special distribution from the Entities in the form of $800 million in notes receivable, convertible into derivative instruments. In addition, Enron paid $82 million to purchase share-settled options from the Entities on 14.6 million shares of Enron common stock.

"In June 2000 Enron sold a portion of its excess dark fiber inventory to the Related Party in exchange for $30 million cash and a $70 million note receivable that matures in seven years and bears a market rate of interest. Enron recognized gross margin of $53 million on the sale.

"Management believes that the terms of the transactions with related parties were reasonable and are representative of terms that would be negotiated with unrelated third parties." Page 13-14.

4. "The EIN, managed by Enron's BOS software, provides a bandwidth-on-demand platform allowing EBS to deliver high bandwidth media rich content such as video streaming, high capacity data transport and video conferencing." Page 21.

IV. 10-Q THIRD QUARTER 2000

1. Based on the specific fraudulent transactions and conduct alleged in the Indictment and set forth in this document (see, e.g., Items 3-6, and 8), the Financial Statements (including the Income Statement, Balance Sheet and Cash Flow Statement) on pages 3-6 of the 10-Q are false and misleading and do not present fairly, in all material respects, the financial position of Enron Corp. and its subsidiaries as of September 30, 2000.

2. "[T]hese [consolidated financial] statements reflect all adjustments (consisting only of normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Enron believes that the disclosures are adequate to make the information presented not misleading." Page 7.

3. "In the first nine months of 2000, Enron entered into transactions with limited partnerships (the Related Party), whose general partner's managing member is a senior officer of Enron. . . .

"During the first quarter of 2000, Enron and the Related Party entered into an agreement to terminate certain financial instruments that had been entered into during 1999. In connection with this agreement, Enron received approximately 3.1 million shares of Enron common stock held by the Related Party. A put option, which was originally entered into in the first quarter of 2000 and gave the Related Party the right to sell shares of Enron common stock to Enron at a strike price of $71.31 per share, was terminated under this agreement. In return, Enron paid approximately $26.8 million to the Related Party. The agreement closed in April 2000. Additionally, in the first quarter of 2000, Enron advanced to the Related Party $10 million, at a market rate of interest, which was repaid in April 2000.

"In the second quarter of 2000, Enron sold a portion of its excess dark fiber inventory to the Related Party in exchange for $30 million cash and a $70 million note receivable that matures in seven years and bears a market rate of interest. Enron recognized gross margin of $67 million on the sale.

"In the second and third quarters of 2000, Enron entered into transactions with the Related Party to hedge certain merchant investments and other assets. As part of the transactions, Enron (i) contributed to newly-formed entities (the Entities) assets valued at approximately $1.2 billion, including 3.7 million restricted shares of outstanding Enron common stock, $150 million in Enron notes payable, the right to receive up to 18.0 million shares of outstanding Enron common stock in March 2003 (subject to certain conditions) and (ii) transferred to the entities assets valued at approximately $309 million, including a $50 million note payable and an investment in an entity that indirectly holds warrants convertible into common stock of an Enron equity method investee. In return, Enron received economic interests in the Entities, $309 million in notes receivable and a special distribution from the Entities in the form of $1.2 billion in notes receivable, subject to changes in the principal for amounts payable by Enron in connection with the execution of additional derivative instruments. In addition, Enron paid $123 million to purchase share-settled options from the Entities on 21.7 million shares of Enron common stock. The Entities paid Enron $10.7 million in the third quarter to terminate the share-settled options on 14.6 million shares of Enron common stock outstanding at June 30, 2000.

"In the third quarter of 2000, Enron entered into derivative transactions with the Entities with a combined notional value of approximately $1.2 billion to hedge certain merchant investments and other assets. Enron's notes receivable balance was reduced by $36 million as a result of premiums owed on derivative transactions. Enron recognized revenues of approximately $60 million related to the derivative transactions, which offset market value changes of certain merchant investments. In addition, Enron recognized $10.2 million and $1.5 million of interest income and interest expense, respectively, on the notes receivable from and payable to the Entities.

"Management believes that the terms of the transactions with related parties were reasonable and are representative of terms that would be negotiated with unrelated third parties." Page 13-14.

4. "Enron Wholesale manages its portfolio of contracts and assets in order to maximize value, minimize the associated risks and provide overall liquidity. In doing so, Enron Wholesale uses portfolio and risk management disciplines, including offsetting or hedging transactions, to manage exposures to market price movements (commodities, interest rates, foreign currencies and equities)." Page 18-19.

5. "The EIN, managed by Enron's BOS software, provides a bandwidth-on-demand platform allowing EBS to deliver high bandwidth media rich content such as video streaming, high capacity data transport and video conferencing." Page 22.

V. 2000 10-K

1. Based on the specific fraudulent transactions and conduct alleged in the Indictment and set forth in this document (see, e.g., Items 3-6, and 8), the Financial Statements (including the Income Statement, Balance Sheet and Cash Flow Statement) on pages 60-67 of the 10-K are false and misleading and do not present fairly, in all material respects, the financial position of Enron Corp. and its subsidiaries as of December 31, 2000.

2. "Wholesale Services manages its portfolio of contracts and assets in order to maximize value, minimize the associated risks and provide overall liquidity. In doing so, Wholesale Services uses portfolio and risk management disciplines, including offsetting or hedging transactions, to manage exposures to market price movements (commodities, interest rates, foreign currencies and equities)." Pages 9 and 38.

3. "Earnings from commodity sales and services increased $1.0 billion (160%) in 2000 as compared to 1999. Increased profits from North American gas and power marketing operations, European power marketing operations as well as the value of new businesses, such as pulp and paper, contributed to the earnings growth of Enron's commodity sales and services business. Continued market leadership in terms of volumes transacted, significant increases in natural gas prices and price volatility in both the gas and power markets were the key contributors to increased profits in the gas and power intermediation businesses." Page 39.

4. "Additionally, Wholesale Services invests in debt and equity securities of energy and technology-related businesses, which may also utilize Wholesale Services' products and services. With these merchant investments, Enron's influence is much more limited relative to assets Enron develops or constructs."

   "Earnings from these activities, which are accounted for on a fair value basis and are included in revenues, result from changes in the market value of the securities. Wholesale Services uses risk management disciplines, including hedging transactions, to manage the impact of market price movements on its merchant investments. See Note 4 to the Consolidated Financial Statements for a summary of these investments." Page 40.

5. "External factors, such as the amount of volatility in market prices, impact the earnings opportunity associated with Wholesale Services' business. Risk related to these activities is managed using naturally offsetting transactions and hedge transactions. The effectiveness of Enron's risk management activities can have a material impact on future earnings. See "Financial Risk Management" for a discussion of market risk related to

Wholesale Services." Page 41.

6. "Revenues and gross margin [for EES] increased $2,808 million and $331 million, respectively, in 2000 compared to 1999, primarily resulting from execution of commitments on its existing customer base, long-term energy contracts originated in 2000 and the increase in the value of Energy Services' contract portfolio." Page 42.

7. "In implementing Enron's network strategy, EBS is constructing the Enron Intelligent Network, a nationwide fiber-optic network that consists of both fiber deployed by Enron and acquired capacity on non-Enron networks and is managed by Enron's Broadband Operating System software." Page 42.

8. The EIN's fiber network and imbedded software intelligence bypasses traditional fragmented and congested public internet routes to deliver faster, higher quality data. Enron's Broadband Operating System provides the intelligence to the EIN and connects to both physical and software network elements. Enron's broadband operating system enables the EIN to: (i) provision bandwidth in real time; (ii) control quality and access to the network for internet service providers; and (iii) control and monitor applications as they stream over the network to ensure quality and avoid congested routes. Enron's broadband operating system automates the transaction process from the order's inception to electronic billing and funds transfer. As a result, the EIN allows Enron to provide high quality content delivery services for content providers and to contract for firm bandwidth delivery commitments to support Enron's bandwidth intermediation business." Page 15.

9. "Enron's management believes it will be able to maintain its credit rating." Page 48.

10. "Wholesale Services offers price risk management services primarily related to commodities associated with the energy sector (natural gas, electricity, crude oil and natural gas liquids). Energy Services and Broadband Services also offer price risk management services to their customers. These services are provided through a variety of financial instruments including forward contracts, which may involve physical delivery, swap agreements, which may require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for the commodity, options and other contractual arrangements. Interest rate risks and foreign currency risks associated with the fair value of Wholesale Services' commodities portfolio are managed using a variety of financial instruments, including financial futures, swaps and options.

    "On a much more limited basis, Enron's other businesses also enter into financial instruments such as forwards, swaps and other contracts primarily for the purpose of hedging the impact of market fluctuations on assets, liabilities, production or other contractual commitments. Changes in the market value of these hedge transactions are deferred until the gain or loss is recognized on the hedged item.

"Enron manages market risk on a portfolio basis, subject to parameters established by its Board of Directors. Market risks are monitored by an independent risk control group operating separately from the units that create or actively manage these risk exposures to ensure compliance with Enron's stated risk management policies.

Market Risk

"The use of financial instruments by Enron's businesses may expose Enron to market and credit risks resulting from adverse changes in commodity and equity prices, interest rates and foreign exchange rates. For Enron's businesses, the major market risks are discussed below:

"Commodity Price Risk. Commodity price risk is a consequence of providing price risk management services to customers. As discussed above, Enron actively manages this risk on a portfolio basis to ensure compliance with Enron's stated risk management policies.

. . .

"Equity Risk. Equity risk arises from Enron's participation in investments. Enron generally manages this risk by hedging specific investments using futures, forwards, swaps and options.

"Enron evaluates, measures and manages the market risk in its investments on a daily basis utilizing value at risk and other methodologies. The quantification of market risk using value at risk provides a consistent measure of risk across diverse markets and products. The use of these methodologies requires a number of key assumptions including the selection of a confidence level for expected losses, the holding period for liquidation and the treatment of risks outside the value at risk methodologies, including liquidity risk and event risk. Value at risk represents an estimate of reasonably possible net losses in earnings that would be recognized on its investments assuming hypothetical movements in future market rates and no change in positions. Value at risk is not necessarily indicative of actual results which may occur.

Value at Risk

"Enron has performed an entity-wide value at risk analysis of virtually all of Enron's financial instruments, including price risk management activities and merchant investments. Value at risk incorporates numerous variables that could impact the fair value of Enron's investments, including commodity prices, interest rates, foreign exchange rates, equity prices and associated volatilities, as well as correlation within and across these variables. Enron estimates value at risk for commodity, interest rate and foreign exchange exposures using a model based on Monte Carlo simulation of delta/gamma positions which captures a significant portion of the exposure related to

option positions. The value at risk for equity exposure discussed above is based on J.P. Morgan's RiskMetrics(TM) approach. Both value at risk methods utilize a one-day holding period and a 95% confidence level. Cross-commodity correlations are used as appropriate.

"The use of value at risk models allows management to aggregate risks across the company, compare risk on a consistent basis and identify the drivers of risk. Because of the inherent limitations to value at risk, including the use of delta/gamma approximations to value options, subjectivity in the choice of liquidation period and reliance on historical data to calibrate the models, Enron relies on value at risk as only one component in its risk control process. In addition to using value at risk measures, Enron performs regular stress and scenario analyses to estimate the economic impact of sudden market moves on the value of its portfolios. The results of the stress testing, along with the professional judgment of experienced business and risk managers, are used to supplement the value at risk methodology and capture additional market-related risks, including volatility, liquidity and event, concentration and correlation risks.

"The accounting and financial reporting policies of Enron Corp. and its subsidiaries conform to generally accepted accounting principles and prevailing industry practices. The consolidated financial statements include the accounts of all subsidiaries controlled by Enron Corp. after the elimination of significant intercompany accounts and transactions." Page 67.

11. "Changes in the assets and liabilities from price risk management activities result primarily from changes in the valuation of the portfolio of contracts, newly originated transactions and the timing of settlement relative to the receipt of cash for certain contracts. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments." Page 68.

12. "Securitizations. From time to time, Enron sells interests in certain of its financial assets. Some of these sales are completed in securitizations, in which Enron concurrently enters into swaps associated with the underlying assets which limits the risks assumed by the purchaser. Such swaps are adjusted to fair value using quoted market prices, if available, or estimated fair value based on management's best estimate of the present value of future cash flow. These swaps are included in Price Risk Management activities above as equity investments. During 2000, gains from sales representing securitizations were $381 million and proceeds were $2,379 million ($545 million of the proceeds related to sales to Whitewing Associates, L.P. (Whitewing)). See Notes 4 and 9. Purchases of securitized merchant financial assets totaled $1,184 million during 2000. Amounts primarily related to equity interests." Page 73.

13. "During 2000, the California power market was significantly impacted by the increase in wholesale power prices. California customer rates are currently frozen, requiring the utilities to finance the majority of their power purchases. If wholesale prices remain at the current levels and no regulatory relief or legislative assistance is obtained, certain California utilities may need to seek bankruptcy protection. During 2000, Enron entered into wholesale power transactions with California utilities, including their nonregulated power marketing affiliates. Enron has provided credit reserves related to such activities based on Enron's net position with each California utility. Due to the uncertainties surrounding the California power situation, management cannot predict the ultimate outcome but believes these matters will not have a material adverse impact on Enron's financial condition." Page 74.

14. "The merchant investments made by Enron and certain of its unconsolidated affiliates (see Note 9) are carried at fair value and include public and private equity, government securities with maturities of more than 90 days, debt and interests in limited partnerships. The valuation methodologies utilize market values of publicly-traded securities, independent appraisals and cash flow analyses." Page 76.

15. "In 2000 and 1999, Enron entered into transactions with limited partnerships (the Related Party) whose general partner's managing member is a senior officer of Enron. The limited partners of the Related Party are unrelated to Enron. Management believes that the terms of the transactions with the Related Party were reasonable compared to those which could have been negotiated with unrelated third parties.

"In 2000, Enron entered into transactions with the Related Party to hedge certain merchant investments and other assets. As part of the transactions, Enron (i) contributed to newly-formed entities (the Entities) assets valued at approximately $1.2 billion, including $150 million in Enron notes payable, 3.7 million restricted shares of outstanding Enron common stock and the right to receive up to 18.0 million shares of outstanding Enron common stock in March 2003 (subject to certain conditions) and (ii) transferred to the Entities assets valued at approximately $309 million, including a $50 million note payable and an investment in an entity that indirectly holds warrants convertible into common stock of an Enron equity method investee. In return, Enron received economic interests in the Entities, $309 million in notes receivable, of which $259 million is recorded at Enron's carryover basis of zero, and a special distribution from the Entities in the form of $1.2 billion in notes receivable, subject to changes in the principal for amounts payable by Enron in connection with the execution of additional derivative instruments. Cash in these Entities of $172.6 million is invested in Enron demand notes. In addition, Enron paid $123 million to purchase share-settled options from the Entities on 21.7 million shares of Enron common stock. The Entities paid Enron $10.7 million to terminate the share-settled options on 14.6 million shares of Enron common stock outstanding. In late 2000, Enron entered into share-settled collar arrangements with the Entities on 15.4 million shares of Enron common stock. Such

arrangements will be accounted for as equity transactions when settled.

"In 2000, Enron entered into derivative transactions with the Entities with a combined notional amount of approximately $2.1 billion to hedge certain merchant investments and other assets. Enron's notes receivable balance was reduced by $36 million as a result of premiums owed on derivative transactions. Enron recognized revenues of approximately $500 million related to the subsequent change in the market value of these derivatives, which offset market value changes of certain merchant investments and price risk management activities. In addition, Enron recognized $44.5 million and $14.1 million of interest income and interest expense, respectively, on the notes receivable from and payable to the Entities.

"In 1999, Enron entered into a series of transactions involving a third party and the Related Party. The effect of the transactions was (i) Enron and the third party amended certain forward contracts to purchase shares of Enron common stock, resulting in Enron having forward contracts to purchase Enron common shares at the market price on that day, (ii) the Related Party received 6.8 million shares of Enron common stock subject to certain restrictions and (iii) Enron received a note receivable, which was repaid in December 1999, and certain financial instruments hedging an investment held by Enron. Enron recorded the assets received and equity issued at estimated fair value. In connection with the transactions, the Related Party agreed that the senior officer of Enron would have no pecuniary interest in such Enron common shares and would be restricted from voting on matters related to such shares. In 2000, Enron and the Related Party entered into an agreement to terminate certain financial instruments that had been entered into during 1999. In connection with this agreement, Enron received approximately 3.1 million shares of Enron common stock held by the Related Party. A put option, which was originally entered into in the first quarter of 2000 and gave the Related Party the right to sell shares of Enron common stock to Enron at a strike price of $71.31 per share, was terminated under this agreement. In return, Enron paid approximately $26.8 million to the Related Party.

"In 2000, Enron sold a portion of its dark fiber inventory to the Related Party in exchange for $30 million cash and a $70 million note receivable that was subsequently repaid. Enron recognized gross margin of $67 million on the sale.

"In 2000, the Related Party acquired, through securitizations, approximately $35 million of merchant investments from Enron. In addition, Enron and the Related Party formed partnerships in which Enron contributed cash and assets and the Related Party contributed $17.5 million in cash. Subsequently, Enron sold a portion of its interests in the partnerships through securitizations.

"See Note 3. Also, Enron contributed a put option to a trust in which the Related Party and Whitewing hold equity and debt interests. At December 31, 2000, the fair value of

the put option was a $36 million loss to Enron.

"In 1999, the Related Party acquired approximately $371 million, merchant assets and investments and other assets from Enron. Enron recognized pre-tax gains of approximately $16 million related to these transactions. The Related Party also entered into an agreement to acquire Enron's interests in an unconsolidated equity affiliate for approximately $34 million." Page 95-97.

VI. 10-Q FIRST QUARTER 2001

1. Based on the specific fraudulent transactions and conduct alleged in the Indictment and set forth in this document (see, e.g., Items 3-6, and 8), the Financial Statements (including the Income Statement, Balance Sheet and Cash Flow Statement) on pages 3-6 of the 10-Q are false and misleading and do not present fairly, in all material respects, the financial position of Enron Corp. and its subsidiaries as of March 31, 2001.

2. "[T]hese [consolidated financial] statements reflect all adjustments (consisting only of normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Enron believes that the disclosures are adequate to make the information presented not misleading." Page 7.

3. "Beginning in 2001, the commodity-related risk management activities of Retail Energy Services' North American customer contracts were transferred to the Wholesale Services segment, consolidating all energy commodity risk management activities within one operating segment. In 2001, Retail Energy Services' business includes origination of new commodity and energy asset management and services contracts, execution of energy asset management and services activity and management of customer relationships. Year 2000 results in the following table have been restated to reflect this change."[3] Pages 11-12.

4. "During the first quarter of 2001, Enron entered into transactions with limited partnerships (the Related Party), whose general partner is a senior officer of Enron. The limited partners of the Related Party are unrelated to Enron. All transactions with the Related Party are approved by Enron's senior risk officers as well as reviewed annually by the Board of Directors. Management believes that the terms of the transactions with the Related Party were reasonable compared to those which could have been negotiated with unrelated third parties."

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[3] The results set out in the referenced table are false and misleading.

"Enron entered into transactions with the Related Party to hedge certain merchant investments and other assets. As part of these transactions, Enron has entered into agreements with entities formed in 2000 (the Entities), which included the obligation to deliver 12 million shares of Enron common stock in March 2005 (the Commitment) and entered into derivative instruments which eliminated the contingent nature of existing restricted forward contracts executed in 2000. The Commitment and the shares to be delivered under the derivative instruments are restricted through March 2005. In exchange, Enron received note receivables from the Entities totaling approximately $827.6 million. In addition, Enron entered into share settled costless collar arrangements with the Entities on the 12 million shares of Enron common stock. Such transactions will be accounted for as equity transactions when settled. Enron received a $6.5 million note receivable from the Entities to terminate share-settled options on 7.1 million shares of Enron common stock. The transactions resulted in non-cash increases to non-current assets and equity.

"In the first quarter of 2001, Enron recognized net revenues of approximately $236.1 million, primarily related to the change in the market value of derivatives instruments entered into with the Entities in 2000 to hedge certain merchant investments and other assets. Revenues recognized on the derivative instruments offset market value changes of certain merchant investments and price risk management activities. In addition, Enron and the Entities terminated certain derivative instruments (originally entered into in 2000) with a combined notional value of approximately $658.5 million. Enron received a note receivable from the Entities for approximately $81.7 million related to such terminations. At March 31, 2001, cash in the Entities of $138 million was invested in Enron demand notes. Enron recognized $22 million and $3.5 million of interest income and interest expense, respectively, on notes receivable from and notes payable to the Entities." Page 14.

5. "Developments in the California Power Market. During 2000, prices for wholesale electricity in California significantly increased as a result of a combination of factors, including higher natural gas prices, reduction in available hydroelectric generation resources, increased demand, over-reliance on the spot market for electricity and limitations on supply. California's regulatory regime instituted in 1996 permitted wholesale price increases but froze retail prices below market levels. The resulting disparity between costs of supply and customer revenues caused two of California's public utilities, Pacific Gas & Electric Company (PG&E) and Southern California Edison Company (SCE), to accrue substantial unrecovered wholesale power costs and certain obligations related to the difference between third party power purchase costs and frozen rates charged to retail customers. PG&E and SCE have defaulted on or are challenging payments owed for certain outstanding obligations, including wholesale power purchased through the California Power Exchange (the Power Exchange), from the California Independent System Operator (the Independent System Operator), and from qualifying facilities. In addition, PG&E and the Power Exchange each have filed a voluntary

petition for bankruptcy.

"Various legislative, regulatory and legal remedies to the energy situation in California have been implemented or are being pursued, and may result in restructuring of markets in California and elsewhere. Additional initiatives are likely at the Federal, state and local level, but it is not possible to predict their outcome at this time.

"Enron has entered into a variety of transactions with California utilities, the Power Exchange, the Independent System Operator, end users of energy in California, and other third parties, and is owed amounts by certain of these entities. Enron has established reserves related to such activities and believes that the combination of such reserves in accounts receivables and price risk management assets and other credit offsets with such parties are adequate to cover its exposure to developments in the California power market. Due to the uncertainties involved, the ultimate outcome of the California power situation cannot be predicted, but Enron believes these matters will not have a material adverse impact on Enron's financial condition or results of operations." Page 15.

6. "Wholesale Services manages its portfolio of contracts and assets in order to maximize value, minimize the associated risks and provide overall liquidity. In doing so, Wholesale Services uses portfolio and risk management disciplines, including offsetting or hedging transactions, to manage exposures to market price movements (commodities, interest rates, foreign currencies and equities)." Page 18.

7. "Earnings from commodity sales and services increased $529 million in the first quarter of 2001 as compared to the same period in 2000. Profits from North American gas and power marketing operations increased significantly. European gas and power marketing operations and earnings from new businesses, such as coal and forest products, also contributed to the earnings growth of Enron's commodity sales and services business. Commodity Sales and Services' results in 2001 were also positively impacted by the sale of certain peaking power plants. Volumes growth, which increased 65 percent in the first quarter of 2001 as compared to the first quarter of 2000, and price volatility in both the gas and power markets were the key contributors to increased profits in the gas and power intermediation businesses." Page 19.

8. "In implementing Enron's network strategy, Broadband Services constructed the Enron Intelligent Network (the EIN), a nationwide fiber-optic network that consists of both fiber deployed by Enron and acquired capacity on non-Enron networks and is managed by Enron's Broadband Operating System." Page 21.

VII. 10-Q SECOND QUARTER 2001

1. Based on the specific fraudulent transactions and conduct alleged in the Indictment and set forth in this document (see, e.g., Items 3-6, and 8), the Financial Statements (including the Income Statement, Balance Sheet and Cash Flow Statement) on pages 3-6 of the 10-Q are false and misleading and do not present fairly, in all material respects, the financial position of Enron Corp. and its subsidiaries as of June 30, 2001.

2. "[T]hese [consolidated financial] statements reflect all adjustments (consisting only of normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Enron believes that the disclosures are adequate to make the information presented not misleading." Page 7.

3. "Developments in the California Power Market. During 2000, prices for wholesale electricity in California significantly increased as a result of a combination of factors, including higher natural gas prices, reduction in available hydroelectric generation resources, increased demand, over-reliance on the spot market for electricity and limitations on supply. California's regulatory regime instituted in 1996 permitted wholesale price increases but froze retail prices below market levels. The resulting disparity between costs of supply and customer revenues caused two of California's public utilities, Pacific Gas & Electric Company (PG&E) and Southern California Edison Company (SCE), to accrue substantial unrecovered wholesale power costs and certain obligations related to the difference between third party power purchase costs and frozen rates charged to retail customers. PG&E and SCE have defaulted on or are challenging payments owed for certain outstanding obligations, including wholesale power purchased through the California Power Exchange (the Power Exchange), from the California Independent System Operator (the Independent System Operator), and from qualifying facilities. In addition, PG&E and the Power Exchange each have filed a voluntary petition for bankruptcy.

   "Various legislative, regulatory and legal remedies to the energy situation in California have been implemented or are being pursued, and may result in restructuring of markets in California and elsewhere. Additional initiatives are likely at the Federal, state and local level, but it is not possible to predict their outcome at this time.

   "Enron has entered into a variety of transactions with California utilities, the Power Exchange, the Independent System Operator, end users of energy in California, and other third parties, and is owed amounts by certain of these entities. Enron has established reserves related to such activities and believes that the combination of such reserves in accounts receivables and other credit offsets with such parties are adequate to cover its

exposure to developments in the California power market. Due to the uncertainties involved, the ultimate outcome of the California power situation cannot be predicted, but Enron believes these matters will not have a material adverse impact on Enron's financial condition or results of operations." Page 9-10.

4. "Beginning in 2001, the commodity-related risk management activities of Retail Energy Services' North American customer contracts were transferred to the Wholesale Services segment, consolidating all energy commodity risk management activities within one operating segment. In 2001, Retail Energy Services' business includes origination of new commodity and energy asset management and services contracts, execution of energy asset management and services activity and management of customer relationships. Year 2000 results in the following table have been restated to reflect this change.[4] Pages 12-13.

5. "During the second quarter of 2001, Enron did not recognize any material revenues or income from transactions with the limited partnerships discussed below. Additionally, the senior officer, who previously was the general partner of these partnerships, sold all of his financial interests as of July 31, 2001, and no longer has any management responsibilities for these entities. Accordingly, such partnerships are no longer related parties to Enron.

   "All transactions with these partnerships (the Partnerships) have been approved by Enron's senior risk officers as well as reviewed annually by the Board of Directors. Management believes that the terms of the transactions were reasonable compared to those which could have been negotiated with unrelated third parties.

   "In the first quarter of 2001, Enron entered into transactions with the Partnerships, now unrelated, to hedge certain merchant investments and other assets. As part of these transactions, Enron has entered into agreements with entities formed in 2000 (the Entities), which included the obligation to deliver 12 million shares of Enron common stock in March 2005 (the Commitment) and entered into derivative instruments which eliminated the contingent nature of existing restricted forward contracts executed in 2000. The Commitment and the shares to be delivered under the derivative instruments are restricted through March 2005. In exchange, Enron received notes receivable from the Entities totaling approximately $827.6 million. In addition, Enron entered into share settled costless collar arrangements with the Entities on the 12 million shares of Enron common stock. Such transactions will be accounted for as equity transactions when settled. Enron received a $6.5 million note receivable from the Entities to terminate share-settled options on 7.1 million shares of Enron common stock. The transactions resulted in non-cash increases to non- current assets and equity.

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[4] The results set out in the referenced table are false and misleading.

"In the first half of 2001, Enron recognized net revenues of approximately $241.1 million (of which $5.0 million related to the second quarter), primarily related to the change in the market value of derivatives instruments entered into with the Entities in 2000 to hedge certain merchant investments and other assets. Revenues recognized on the derivative instruments offset market value changes of certain merchant investments and price risk management activities. In addition, Enron and the Entities terminated certain derivative instruments (originally entered into in 2000) with a combined notional value of approximately $727.2 million. Enron received note receivables from the Entities for approximately $133.3 million related to such terminations. At June 30, 2001, cash in the Entities of $156 million was invested in Enron demand notes. Enron recognized $63 million and $10 million of interest income and interest expense, respectively, on notes receivable from and notes payable to the Entities. In the second quarter of 2001, Enron acquired investments from the Partnerships for approximately $36.6 million." Page 15-16.

6. "Wholesale Services manages its portfolio of contracts and assets in order to maximize value, minimize the associated risks and provide overall liquidity. In doing so, Wholesale Services uses portfolio and risk management disciplines, including offsetting or hedging transactions, to manage exposures to market price movements (commodities, interest rates, foreign currencies and equities)." Page 18.

7. "Earnings from commodity sales and services increased $342 million in the second quarter of 2001 as compared to the same period in 2000. The quarter over quarter increase was primarily due to increased earnings from North American and European power marketing and certain other marketing operations, partially offset by decreased North American gas marketing results. Profits from North American power marketing operations, which increased significantly, included the sale of three peaking power plants. With increased liquidity in the market, Enron can now use power purchase contracts as an alternative to the peaking plants to directly support contracts to sell power. Earnings from other wholesale marketing operations, including coal, steel and forest products, also contributed to the earnings growth of Enron's commodity sales and services business. Volumes growth, which increased 60 percent in the second quarter of 2001 as compared to the second quarter of 2000, and price volatility in the power markets were the key contributors to increased profits in the power intermediation businesses." Page 19.

VII. APRIL 12, 2000 - ENRON'S FIRST QUARTER 2000 EARNINGS RELEASE CONFERENCE CALL

1. Page 7: SKILLING: "[T]he second component of earnings on our, uh, wholesale business is our Assets and Investments business. It also reported strong IBIT during the first quarter of 220 million dollars. The quarter's strong performance is attributable to increased earnings from Enron's portfolio of energy-related and other investments. As you all know, this was a pretty good quarter for the energy-related investment business in

contrast to the drag it was over the last year."

2. Page 22: SKILLING (in response to a question): "So this [the upswing in earnings in the Asset and Investment business] was basically the performance of the existing asset portfolios."

VIII. JANUARY 22, 2001 - ENRON'S FOURTH QUARTER EARNINGS RELEASE CONFERENCE CALL

1. Page 7: SKILLING – "Now for Enron, the situation in California had little impact on foruth quarter results. Let me repeat that. For Enron, the situation in California had little impact on fourth quarter results. Because we're not a generator in California, we number one, do not invite the same accusations the generators have faced regarding excessive profits. And number two, we do not have significant investments which are captives to the state. Our profits are derived from the merchant activity that we elect to conduct in the state. We are closely monitoring our exposure to all of our customers. Now, we do not expect the California situation to have any significant impact on Enron's financial outlook, specifically our ability to hit 2001 targets. . . . But, in summary, we are not overexposed in California. Our earnings were not significantly impacted by California in the fourth quarter, and we don't expect them to be significantly impacted moving forward in time."

2. Page 12: SKILLING - "I can say unequivocally that if you take the consensus earnings estimate for next year, which is $1.65 to $1.70, there - nothing can happen in California that would jeopardize that kind of earnings performance next year."

3. Page 12: SKILLING - In response to question about whether [California business] is "that small for [Enron]" - "Yes."

IX. MARCH 23, 2001 - ANALYST CONFERENCE CALL

1. Page 2, lines 16-17: SKILLING – "Enron's business is in great shape."

2. Page 4, line 14 to Page 5, line 2: SKILLING - "We are highly confident in our [EES] target for the year of two hundred and twenty five million of income and thirty billion dollars of new originated contracts. Ah, interestingly we are seeing I think the positive effect of ah, the the, ah, ah, the chaos that's going on out in California, in that as we mentioned before there is tremendous interest in the product that we are offering through our retail business."

3. Page 6, line 8 to Page 7, line 14: SKILLING – "There's been some talk that we are laying off people. We are moving some people around inside EBS. This is very good news. And let me tell you what we are doing in EBS right now. It is our view given what's

going on in the communications business in general that there is more access to contract availability of bandwidth than we would have expected at this early state of the development of the marketplace. We will not have to make as large an investment in our network as we had expected because we are going to be able to have access to third party networks much more easily and at lower cost than we expected. Ah, one very positive output of this is that we are expecting that our capital budget in this business, which we had told people would be running on the order of seven hundred fifty million dollars this year to be probably closer to the two hundred fifty million dollar range and might even be lower than that if we're able to get contract access to the extent that we think we can get contract access this year. So, ah, we are very comfortable with the projections on volumes and the targets and the benchmarks that we set for EBS. But we believe we can do that with less capital employed than we thought in the past. And with less investment in network activities. So EBS is coming along just fine, ah every important for us and we're committed to it and I'm personally very very comfortable with where we stand. In fact, pretty optimistic about it. And again our strategy in the bandwidth business was predicated on a surplus of supply and a decline in prices. We are in a situation where we clearly have a surplus in supply and we have real fast declining prices. So that's good. In fact, that's better for us as time goes on. So EBS is looking good."

4. Page 11, lines 8-10: SKILLING – "So in general, core business is in great shape. Good quarter. We are hitting our numbers and we're on plan."

5. Page 12, line 4: SKILLING - "I know this is a bad stock market but ENRON's in good shape."

6. Page 19, line 8 to Page 20, line 2: SKILLING - "I am very anxious to ah monetize assets where we're not earning the rates of return that we need to earn. And that's that quite frankly given the financial environment around the world is taking longer than I would like. Ah, but I can just say that that is discretionary for us. Our balance sheet is in great shape now. That's all upside of the balance sheet moving forward. Ah so we don't have to do it. I don't have to do anything that is not economic. Ah, so we are going to look at the deals that we're offered. We've turned down a number of people because we haven't gotten the kinds of prices that we think are reasonable ah for the assets. And we will continue to entertain offers on a whole range of assets. Ah, it's my guess that over the next couple of years there, there's several billion dollars of assets that we're gonna, that we will find ah that we get good offers for, but ah right now I just want to wait and just get the best price.

7. Page 33, line 3 to Page 34, line 4: SKILLING – "Yeah, again, the you know, the two P&L centers that we have, one is bandwidth intermediation. We are growing fast and our head count there is growing fast. Content Services, the other P&L center, is growing fast. And that's our video on demand and we're out marketing basically content aggregation services. Where we have less need than what we thought is on the network side. We

expected that we would have to continue to spend enormous amounts of money to build out the network. We're finding we don't have to do that right now. That we can get access to liquidity and access to bandwidth without having to build it ourselves. So we're reducing, we just don't have as big a need for capex as we had so we are taking a number of people out of our network organization and moving them to other parts of the company . . . But essentially, strong growth on the intermediation side, strong growth on the content services side, in terms of people, budgets, the whole thing."

X. APRIL 17, 2001 - ENRON'S FIRST QUARTER 2001 EARNINGS RELEASE CONFERENCE CALL

1. Page 2: SKILLING - "Our first quarter results demonstrate the strength of all of our businesses."

2. Page 5: SKILLING - "Beginning in 2001, commodity-related risk management associated with our retail customer contracts is being managed now by our wholesale service group, consolidating all of our energy commodity risk management activities within our wholesale group. Reported results for the retail and wholesale business have been restated to reflect the change. It's not a big deal as a restatement for last year. The restated impact to last year's annual IBIT is an $8 million increase to retail energy services and a reduction of the same amount to wholesale services. Revenues have also been restated, reducing retail sales revenues last year by 2.8 billion and increasing wholesale services revenue by an equivalent amount. The retail business will continue to reflect the management of customer relationships, net profits of new commodity contracts origination and all flows related to energy asset management and services. Our 2001 targets of $225 million for retail and $30 billion in new contracts remains unchanged."

3. Page 6: SKILLING – "Broadband Services reported an IBIT loss of $35 million for the first quarter. Our network is now substantially complete. We have 25 pooling points operating in North America, Europe and Japan and, as you know, we have two revenue sources in EBS, bandwidth intermediation and content services . . . In our bandwidth intermediation business, we are making excellent progress in creating a commodity for bandwidth."

4. Pages 7-8: SKILLING – "Similar to our gas and power business, the next step in the development of our intermediation business will be the origination of long-term, structured transactions. We've had discussions with many interested parties and we expect this business to become significant, as it is in our natural gas, electricity and other commodity markets. But at this time, its moving a little bit slowly due to – I guess no surprise here – a lack of credit capacity in the industry. . . But overall on the intermediation side, very strong development of the marketplace and the commoditization of bandwidth and we're feeling very good about the development of this business . . . on Content Services, we are focused today exclusively on high-potential near-term

opportunities with large content providers to provide video-on-demand. We have already successfully demonstrated the technical capabilities of our network . . . Revenues for the quarter relate to the monetization of a portion of Enron's Content Services business."

5. Page 9: SKILLING - "As we have stated previously, we remain confident that the situation in California will have no material impact on our financial condition and no adverse impact on 2001 earnings. So in conclusion, first quarter results were great."

6. Page 12-13: SKILLING – "Ray, this actually gives me a platform. I'd like to make a comment. This issue about – and I think its hit the papers again – that we are reducing staff in our broadband business and this is somehow related to exiting the content services business. Let me just put a bullet in that right now. This is just not the case. We are very committed to our content services business. We believe that we have the only video-on-demand platform that works and we are aggressively working to sign up content suppliers. As far as redeployment of people in the organization, Enron is constantly redeploying people . . . So this is a natural occurrence for the company and its something that we view as one of our real competitive advantages. But let me say again that we are not exiting the content services business. This is a business that we are very interested in and we think has tremendous upside potential for the future."

7. Pages 15-17: SKILLING – "the first one, on the losses in bandwidth. The losses in bandwidth have nothing to do with Blockbuster. I mean these were anticipated. And if you go back, David, to the projections that we gave you guys last year and this year's analysts review, you'll see what the projections were for content services and you'll see that was a relatively slow ramp-up in revenues and profitability. To be quite honest, the price that I guess I'm looking at right now as an area to really watch, we feel very good about the intermediation business and the development of markets for bandwidth. I'm a little disappointed at the speed of the larger, structured transactions and the speed with which those develop . . . We have an issue in this business. The issue is that the counter parties have no credit capacity. . . This is a tough credit environment to try to put together long-term packages in. . . We're looking for some analogies here in this bandwidth business because the credit capacity of the counter-party, or most of the counter parties in the industry, is pretty bad right now. So we'll just have to see how that plays out. But I am very encouraged by what we are seeing on the development of commodity markets."

8. Page 18: SKILLING - "the best way of thinking about it is in our wholesale business we have centralized risk management and then we have what we call our origination groups. We actually had a separate centralized risk management activity in our retail business. And to be quite honest, organizationally, that is not optimal because we have such capability in our wholesale business that we were - we just weren't taking advantage of that in managing our portfolio at the retail side. And this retail portfolio has gotten so big so fast that we decided we needed to get the best - the best hands working risk management."

9. Pages 24-25, in response to question: SKILLING – "We've reduced our assumptions or estimates for capex in our broadband business from the $750 million that we mentioned earlier down to about $250 million. And again, that's a result of the fact that we were able to get access to connectivity without having to build it, which is very positive . . . So right now, the only business center that's absorbing cash is broadband and that number's down from what we expected and the other three big business areas are cash generating – significantly cash generating."

10. Page 28, in response to question: SKILLING – "What we did is we – as we always do – we redeployed people so that any business center that has – that we've go surplus people, we redeploy them into areas that are still growing. We've got areas all over the company that are growing . . . So my guess is that the vast majority of those people will get jobs elsewhere inside of Enron."

XI. JULY 12, 2001 - ENRON'S SECOND QUARTER 2001 EARNINGS RELEASE CONFERENCE CALL

1. Pages 5-6: SKILLING - "Let me now turn to our retail business. Retail Energy Services, Enron Energy Services. We had an outstanding quarter, with an [IBIT] increasing by 30 percent to $60 million. . . . We are firmly on track to achieve our 2001 target of $225 million of [IBIT] in our retail business. So retail business, a great, great quarter as well."

2. Page 8: SKILLING - "Overall, though, great quarter. Second quarter results are outstanding. Business fundamentals remain strong. Our new businesses are expanding and adding to our earnings power and valuation, and we are well positioned for future growth. So, great quarter."

3. Pages 21-22: SKILLING - "with the earnings guidance that we're giving, is that we believe that 22 percent this year looks very good, and we think we can continue that kind of growth rate next year. And it just kind of gives you some sense for our confidence from what we're seeing. We think the business is very strong. . . . I think what we're saying is that we expect the kind of strong growth that you've seen from Enron in the past will continue and - all right, just to put this in perspective. I mean, we have met or exceeded earnings expectations for every quarter for the last four years and, you know stock prices has gotten hurt over the last couple of months, I think , because of expectations about regulation, about what's going on in California. And I think what we're saying is look we continue to see very strong dynamics and fundamentals for our business, and we believe that we can perform at that level over time that stock price will come back."

XII. JULY 12, 2001 - ENRON'S SECOND QUARTER EARNINGS PRESS RELEASE

SKILLING - "Enron completed another quarter of exceptional performance. Our wholesale and retail energy businesses continue to dramatically expand business and increase profitability."

XIII. 2000 ENRON ANNUAL ANALYST CONFERENCE

1. Page 15: SKILLING - "We now have the infrastructure of fiber, servers, pooling points and software, and we'll go into those in more detail later this afternoon, effectively in place. We've got the network in place, now it's time to start doing business."

2. Page 16: SKILLING - "Fiber miles, we closed the year in 1999, in, in fact, with a number higher than this 12,325. But 12,325 miles of fiber in place, that network is essentially in place now."

3. Page 16: SKILLING - "We now have 222 of these server complexes in place around the country."

4. Page 20: SKILLING - "The ENRON INTELLIGENT NETWORK, the backbone network and the mechanics and architecture of that network, we believe will be the industry standard moving forward."

5. Page 22: SKILLING - "ENRON BROADBAND has already established the superior broadband delivery network."

6. Page 27: SKILLING - "As I mentioned, our fiber route, our fiber network is uh is expanding. To be quite honest, we got just about all we need right now. We're extending it to some places to get some additional capabilities, but we've got essentially the fiber backbone that we need to do what we need to do."

7. Pages 32 to 33 SKILLING - "Once we get into one of our distributed servers, we can put it on our backbone. Once we have it on our backbone we can get to a pooling point, a switch. And once we get to the switch, the switch will allow us to not only continue that transmission across our network, but will allow us to get into other people's networks so that we can use their capacity along with our capacity uh to efficiently and with a high quality of service, route that transmission to the customer. Get it to another pooling point on the other side, drop it down to our distributed servers, get it either through the Internet or some other mechanism, out to the final customer, that's the concept. This is identical to the philosophy and concept that we brought to the natural gas and electricity industry. It has a bunch of advantages. First we can guarantee an extremely high quality of service, extremely high capacity. We have the ability to handle the highest bandwidth applications. It's ubiquitous because we're still using the uh Internet as a final delivery and

sourcing location. It is flexible. We have a software layer, which we'll describe in detail, that allows for real-time provisioning of capacity, real-time provisioning of capacity, which has not been done in the industry and we're the only people proposing a method of doing that. And it's lowest cost. And the reason it's lowest cost is with real-time capacity provisioning, if you're not using it, you don't have to pay for it. So if you're using it you pay for it, you're not using it, you don't have to pay for it. Other features: Uh we have a software capability that allows us to differentiate quality of service. Uh currently it's very difficult to determine which packets are high priority, which aren't. We can identify that by application and differentiate the quality of service, match the bandwidth capacity to the quality requirements of the application. We have the ability to forward reserve bandwidth so that if you have a very high QOS application and you don't want to send it at three in the afternoon because it's expensive and the system is congested, we can reserve capacity at times when the system is not congested so you get more effective use from the capacity at a guaranteed quality of service level."

8. Page 73: SKILLING - "We have a page that follows this that has a number of different estimates. This is probably the most conservative estimate that you can come up with and we'll b...be happy to talk about that. I won't spend any time on it, but we're taking the most conservative market size and growth rate uh that we can find to determine what the overall market is, and then we start walking through that market."

9. Page 74: SKILLING - "As KEN pointed out, we think this is likely to be a much faster adopter of the intermediation concept, so I think that's a, a conservative estimate of the share that will be intermediated."

10. Pages 74 to 75: SKILLING - "And then we're using an operating income margin that starts at 8 percent because we've seen very high margins now and we're assuming that that number drops off to a 4 percent number. In the gas and electric business, we're running around 4 and-a-half to 5 percent. So, we're using a number that's slightly less than that. Again, I think the nature of this business would suggest to me uh that that's conservative."

11. Page 75: SKILLING - "We don't think there's a tremendous amount of risk in this business in the sense that we believe the business is there, we've done it before and we feel that that can be done. So, that's the first cash flow stream."

12. Page 79: SKILLING - "The last thing is the BOS, uh the BOS, the bandwidth oper . . . . broadband operating system uh . . . When REX was talking about the software that we have, there are lots of additional applications of the software. But, we have the software currently to operate our own network."

13. Page 100: SKILLING - "And to put this uh...one of the questions that was asked was really the timing and development stage of the software and we have the initial level...well, to start with the INTERAGENT component, we have added onto that

functionality to manage our existing network and put things across our network and interconnect with others when we're in control. The beta version of this operating system, what we're calling BOS is out as of last week. So, we can start giving that to application developers and use, in the process of developing the APIs, and we're expecting a final version to be out late second quarter, early third quarter of this year, and that'll be the version that presumably people can access through the API and that will be the, you know, the finished product."

XIV. 2001 ENRON ANNUAL ANALYST CONFERENCE

1. Page 14: SKILLING – "We believe, and I think we will demonstrate pretty conclusively today, that we have built uniquely strong franchises with sustainable high earnings power."

2. Pages 15- 16: SKILLING - "You know, some people have said uh...ENRON's a trading business. Uh, let me hit that one head on. We are not a trading business. We are a logistics company. We provide logistics and services to our customers. When we make a market in the price for natural gas at the California border, we are not buying gas at the California border and reselling the gas at the California border. That's a zero sum game. What we are doing is we are making a price at the California border and we have literally thousands of different permutations and opportunities to get that gas to the California borders so we know better than anybody else what that price should be and we can beat that price and make money on that delivery to the customer. We're a logistics company. . . . That is a sustainable franchise that will generate high income for our...our shareholders in the future and, as I said, it is sustainable."

3. Page 24: SKILLING - "This [the Wholesale business] is stable, high-growth business."

4. Page 25: SKILLING - "using existing margin assumptions, uh $23 a share [for the EES business]. Then, our broadband business...we'll give you some numbers later today that walk through the value of the broadband business, but the DCF valuation for this business, assuming that we build our intermediation business, which we are very comfortable with today, build our content services business, which we are very comfortable with today, of $40 per share. Add it all together...$126. "

5. Page 101: SKILLING - "And then finally the broadband business, uh, this one, uh, will be the next wh..., the next wave of new opportunities for the business. Uh, we have, I think, a solid position as you saw. Our network's in place. We understand how it can be applied. We have customers and, and specific products and services for the market place."

6. Page 102: SKILLING – "when we talk about the $1.70 to $1.75 target, uh, for next year, uh, we believe very strongly that, that we can hit that number regardless of what happens

in California. . . . But regardless of what happens in California, uh, we're comfortable with the $1.70 to a $1.75."

XV. BUSINESSWEEK ONLINE INTERVIEW, AUGUST 20, 2001

1. LAY – "There are no accounting issues, no trading issues, no reserve issues, no previously unknown problem issues. The company is probably in the strongest and best shape it has ever been in. There are no surprises."

2. LAY – "Investors don't like uncertainty. When there's uncertainty they always think there's another shoe to fall. There is no other shoe to fall."

3. "When did he tell you he wanted to resign and what was your reaction?"
LAY – "I don't recall the exact date. It was a few days before the board meeting. I called several of the board members before the meeting to let them know what was going on. I do remember I was in my office when he told me. I had been out of town on a business trip and had just gotten back the night before. The next morning he came over to my office and said he had a few things on his mind. We went over several business items for about 20 to 30 minutes. Then he said, "I've decided I need to step down as president and CEO and leave the company." I said, 'You're going to do what?' I was very surprised.... That was on a Friday. The following Monday, we talked again. I asked him if he had changed his mind. He said no. Over the next few days, I tried three or four times to talk him out of it, but he had his mind made up."

XVI. OCTOBER 16, 2001 INTERVIEW WITH REBECCA SMITH OF THE WALL STREET JOURNAL

1. LAY – "I'm not sure it had a name. It was an internal vehicle set up to finance certain assets . . . ."

XVII. OCTOBER 17, 2001 BANK OF AMERICA MEETING

1. Page 25, line 22 to page 26, line 6, and lines 11-13: LAY – "Prior to this release going out, over the last few weeks, we and our outside auditors have, in fact, looked at all the goodwill getting ready for the change in the goodwill accounting rules which take place in the first quarter next year and indications are – I mean both by the outside auditors and our internal team, we might have as much – something less than $200 million of goodwill to be accounted – to be written off in the first quarter. And that was all disclosed of course yesterday, too, in all the press release and everything else. . . . Of course, like I say all the rest of them have been looked at too, the standpoint of the goodwill to make sure there is no – there are no other write-offs."

2. Page 41, lines 13-17: Question: "And which transaction did this unwind? Or which transaction was unwound?" LAY: "I'm not sure it even had a name."

XVIII. OCTOBER 23, 2001 ALL EMPLOYEE MEETING

Page 13, lines 15-16, 22-25, page 14, lines 1-7: LAY – "I have reconfirmed over just the last few days that these controls and procedures have been adhered to. ..... I know there's a lot of speculation about Andy's involvement. As I said, management and the Board recognized there was a potential conflict of interest. It was because of this that some very strict governance and control procedures were put in place to make sure the best interest of Enron and its shareholders were always protected. And despite what you've read in the Wall Street Journal and probably elsewhere, I'm sure that, in fact, these interests have been protected. I and the Board are also sure that Andy has operated in the most ethical and appropriate manner possible."